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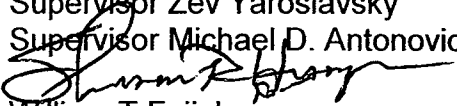
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July 15, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains an update on the State Budget and three pursuit of positions on budget items, and the status of one County-advocacy bill.

State Budget Update

Yesterday, the Governor and the four Legislative Leaders met to discuss the suspension of the Proposition 98 guarantee, which provides guaranteed funding levels for K-14 schools. Members of the Big Five emerged from the Governor's office just before midnight indicating that they will only need "...one more working session" to address the \$26.3 billion State Budget deficit. The Big Five is scheduled to resume negotiations this afternoon at 1:30 p.m.

Pursuit of County Positions on State Budget Items

Proposal to Shift Funds from Redevelopment Agencies. As reported in the July 8, 2009 Sacramento Update, according to the Sacramento advocates, another State Budget proposal is being considered which would allow a one-year extension on all redevelopment projects Statewide without having to make a finding of blight. It is reported that this extension to Redevelopment Agencies (RDAs) would be in exchange for an estimated \$1.35 billion transfer of property taxes to fund schools, which would

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allow the State to reduce the amount it spends in education by the same amount in FY 2009-10.

This proposal has not yet appeared in trailer bill language. However, according to the Sacramento advocates, rumors are circulating around the Capitol that this proposal appears to be an option to help address the State Budget deficit. It should be noted that extending the life of a redevelopment project without a finding of blight is more of a loan than a transfer to the State. The cost of the additional tax diversion to State and local governments will be repaid later in dollars inflated by the growth in assessed value. Otherwise, the gross cost to the State alone would greatly exceed any current year benefit.

If the one-year extension is approved, it is estimated that the County General Fund would lose approximately \$313 million (net present value) in future years based on when the redevelopment projects within the County expire. If these redevelopment projects are extended beyond the one-year extension, the County would lose an estimated \$3 billion for a 10-year extension and \$8.2 billion for a 30-year extension in future years. **Because this proposal would divert local property tax revenues from critical County services, the Sacramento advocates will oppose this or similar proposals.** Opposition is consistent with existing Board policy to oppose any redevelopment legislation which would cause the County to lose revenues, limit or repeal provisions of AB 1290, or allow RDAs to extend the life of projects beyond the statutory time frames established in AB 1290. It is also consistent with County opposition to SB 1771 of 2008, which proposed to extend City of Industry redevelopment projects by 10 years and eliminate the requirement that an RDA show remaining blight in order to extend a project.

On-Line Eligibility Determination. As reported in the June 30, 2009 Sacramento Update, the Governor proposes to shift eligibility determination for CalWORKs, Medi-Cal, and Food Stamp applications from a face-to-face or mail-in process to a centralized, contracted-out on-line process. This proposal was previously included as one of over 1,000 recommendations in the 2004 California Performance Review.

The Governor indicates that more than 27,000 individuals in 58 counties process CalWORKs, Medi-Cal and Food Stamp applications and that modernizing eligibility processing will reduce costs and improve access to services. The Governor estimates that implementation of a centralized on-line system would occur over 36 months, but could begin earlier for some programs such as enrollment of children in Medi-Cal. Once the system is fully implemented, the Governor estimates an annual State General Fund savings of \$500 million. The Assembly Budget Committee Analysis of the Governor's June 2009 Reforms notes that under this proposal the State would enter into a performance-based contract with a vendor to develop the necessary technology to

process enrollments for CalWORKs, Medi-Cal and Food Stamp Programs on a Statewide basis.

At the time that this proposal was introduced in the 2004 California Performance Review, this office and the Department of Public Social Services (DPSS) noted that centralizing eligibility processing for the CalWORKs, Medi-Cal and Food Stamps programs assumes that different and complex eligibility requirements for these programs can be simplified and standardized to an internet-based application process. The proposal fails to consider that persons seeking these services are poor and without access to the internet. Additionally, centralizing eligibility processing at the State level would reduce, if not eliminate, the ability to immediately assess the applicants' need for county-provided services such as homeless assistance, emergency food, mental health services, shelter for victims of domestic violence and child protective services. DPSS also notes that the Governor's proposal runs counter to Federal law recently enacted by Congress to reauthorize the Food Stamp Program which requires civil service employees to determine program eligibility.

This proposal would also impact the ability of the County to:

- provide timely and accurate services without exposing families to service disruptions and other hardships caused by system errors;
- ensure that geographical and linguistically appropriate services are available to address service needs specific to the County's diverse population;
- serve people with intensive or complex needs, such as adults with disabilities, or those who do not have a computer and would not have access to on-line service applications;
- submit and handle confidential verification and supporting documents which frequently requires face-to-face interviews; and
- ensure safeguards to reduce fraud.

Therefore, consistent with the Board-approved policy to oppose efforts to privatize and/or centralize eligibility processing for Medi-Cal, CalWORKs and Food Stamps at the State level, **the Sacramento advocates will oppose the Governor's proposal to shift eligibility processing for the CalWORKs, Medi-Cal and Food Stamp Programs from a face-to-face or mail-in process to a centralized, contracted-out on-line process.**

CalWORKs Reform Proposals. As reported in the June 30, 2009 Sacramento Update, the Governor has backed off his proposal to eliminate the CalWORKs Program for an estimated State General Fund savings of \$1.3 billion in FY 2009-10 and \$1.8 billion in FY 2010-11 and has instead proposed to reform the Program. The Governor estimates

that the CalWORKs reforms will result in an estimated State General Fund savings of \$753 million in FY 2009-10 and \$1.5 billion beginning in FY 2012-13. The proposed reforms would:

- **Reduce the total amount of time that a recipient can receive CalWORKs assistance over their lifetime from 60 months to 24 months.** Under this proposal, families who meet the Federal work participation requirements would continue to be eligible to CalWORKs beyond the 24-month limit only if the able-bodied adult meets the Federal work participation requirements. This would impact many thousands of families currently receiving CalWORKs who have already received a cumulative 24 months on assistance. A significant number of these families would likely be eligible for County-funded General Relief.
- **Impose a 60-month time limit on CalWORKs child-only cases when the parent is an undocumented non-citizen, drug felon or fleeing felon.** This proposal would impact approximately 16,093 families in Los Angeles County and 37,926 citizen children in those families. A significant number of these children would become eligible to County-funded General Relief.
- **Impose graduated full-family sanctions when the parent or relative caretaker fails to meet the work participation requirements.** According to DPSS, this proposal would impact over 10,000 families and more than 19,000 children in those families would be at-risk of losing CalWORKs assistance.
- **Reduce Funding for CalWORKs Supportive Services.** The Governor proposes to limit funding for substance abuse treatment, domestic violence intervention, family reunification, and educational services. The Governor indicates that these services are also provided by other community programs and would achieve State General Fund savings by reducing duplication of services. The amount of the proposed reduction in supportive services funding is unknown. However, DPSS indicates that further reductions to the CalWORKs Single Allocation, CalWORKs Substance Abuse and/or Mental Health allocations would reduce the already limited amount of services available and would require CalWORKs families to compete for services at non-profit, community-based agencies, and other public service providers. DPSS notes that this reduction would significantly undermine the County's ability to provide the services necessary for families to comply with the work participation requirements and to move off of assistance sooner. If enacted, this proposal would hurt families and place the County at risk of incurring fiscal penalties for failing to meet the Federal work participation requirements.

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The Department of Public Social Services indicates that the Governor's reform proposals would reduce CalWORKs employment services at a time when unemployment rates are at historic levels and caseloads are increasing. These reductions also would prevent the State and the County from receiving Federal stimulus funds, including TANF Emergency Contingency Funds for 10,000 subsidized jobs. Additionally, the Governor's proposals would result in the loss of CalWORKs cash assistance for tens of thousands of families in the County which would result in increased financial strains to these families, place families at risk of homelessness and create further barriers to achieving self-sufficiency.

The Department of Children and Family Services (DCFS) indicates that if the proposed CalWORKs reforms take effect there could be increased involvement of families with the child welfare system and increased rates of foster care placement. This would result in significant costs increases and could result in the County re-evaluating its ability to stay in the Title IV-E Capped Allocation Waiver. DCFS notes that 20,302 children were in out-of-home placement at the start of the waiver in July 2007, and as of July 8, 2009, the County has successfully reduced this to 15,408 children. The Governor's CalWORKs reforms could increase foster care caseloads reversing this trend.

Therefore, consistent with existing Board policy to fully fund human services programs and to oppose proposals which would reduce available Federal matching funds for health and human services programs by capping State General Fund contributions **the Sacramento advocates will oppose the Governor's CalWORKs Reform proposals.**

Status of County-Advocacy Legislation

County-supported AB 91 (Feuer) which, as amended on June 1, 2009, would create a pilot program in Alameda, Los Angeles, and Sacramento counties to require the use of an ignition safety interlock device on cars driven by persons convicted of driving under the influence, passed the Senate Public Safety Committee by a vote of 5 to 1, on July 7, 2009. The measure now proceeds to the Senate Appropriations Committee.

We will continue to keep you advised.

WTF:RA
MR:VE:er

c: All Department Heads
Legislative Strategist